STATEMENT AS OF December 31, 2003 OF THE Health Plan of Michigan, Inc.

## **Amended Statement Cover**

Changes made based on correspondence received from the Michigan Office of Financial and Insurance Services



## **ANNUAL STATEMENT**

For the Year Ending December 31, 2003 OF THE CONDITION AND AFFAIRS OF THE

## Health Plan of Michigan, Inc.

(Cur		(Prior Period)				nployer's ID Number _	38-3253977
	rrent Period)	(Frior Foriou)					
Organized under the Laws of	Mich	nigan	, State of Do	micile or Port of	f Entry		Michigan
Country of Domicile	United State	es of America					
D	fe, Accident & Health[] ental Service Corporation[] ther[]	Vision S	r/Casualty[ ] Service Corporation[ ] Federally Qualified? Yes[ ]	He		eal & Dental Service or ance Organization[X]	Indemnity[ ]
Date Incorporated or Organized		12/31/1995	Date	e Commenced E	Business	1	2/31/1995
Statutory Home Office		ine Mile Road, Suite	650 ,		(0)	Southfield, MI 48075	
Main Administrative Office	(St	reet and Number)		Mile Road, Suit		y, or Town, State and Zip C	code)
	Southfield, MI	1 48075	(Stree	t and Number)		(248)557-3700	
	(City or Town, State and					(Area Code) (Telephone N	lumber)
Mail Address		ine Mile Road, Suite 6	650 ,		(O:t-	Southfield, MI 48075	N- d-)
Primary Location of Books and R	,	nd Number or P.O. Box)		Same	(City	, or Town, State and Zip C	(ode)
Timary Essausir of Books and T				(Street and Numb	per)		
	Same,					(248)557-3700	
Internet Website Address	(City, or Town, State and	Vww.hpmich.com				(Area Code) (Telephone N	lumber)
Statutory Statement Contact		Jon B. Cotton		-		(248)204-6011	
		(Name)			(Area	a Code)(Telephone Numbe	r)(Extension)
	jcotton@hpmich. (E-Mail Address			<u> </u>		(248)557-4638	
Policyowner Relations Contact	(E-IVIAII Address	5)	17515 W	/. Nine Mile Roa	d. Suite 650	(Fax Number)	
,				(Street and Numb			
						(248)557-3700	
	Southfield, MI 44 (City, or Town, State and	l Zip Code) Pres	OFFICERS sident/CEO David B. Cott cretary/CIO Thomas Lauz		(Area	Code) (Telephone Number	r)(Extension)
		l Zip Code) Pres Sec	sident/CEO David B. Cott	zon	(Area		r)(Extension)
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		l Zip Code) Pres Sec Trea	sident/CEO David B. Cott cretary/CIO Thomas Lauz isurer/CFO Janice Toros	zon Sian	(Area		r)(Extension)
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	(City, or Town, State and Timot Thoma Melanie	Pres Sec Trea VII DIREC	cretary/CIO David B. Cott Thomas Lauz Janice Toros  CE PRESIDENTS	zon sian S TEES	ieorge Ellis		r)(Extension)
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County of Oakland The officers of this reporting entity, bei assets were the absolute property of the explanations therein contained, annex and of its income and deductions there manual except to the extent that: (1) sit their information, knowledge and belie (Sign David B. C. (Printed	City, or Town, State and Timora Thoma Melanie  n d ss  ing duly sworn, each depose and he said reporting entity, free and ed or referred to, is a full and true efform for the period ended, and in tate law may differ; or, (2) that state law may differ; or, (3) that state law may differ; or, (4) that state law may differ; or, (5) that state law may differ; or, (6) that state law may differ; or, (1) that state law may differ; or, (2) that state law may differ; or, (2) that state law may differ; or, (3) that state law may differ; or, (4) that state law may differ; or, (5) that state law may differ; or, (6) that state law may differ; or, (1) that state law may differ; or, (2) that state law may differ; or, (3) that state law may differ; or, (4) that state law may differ; or, (5) that state law may differ; or, (6) that state law may differ; or, (6) that state law may differ; or, (7) that state law may differ; or, (8) that state law may differ; or, (9) that state law may differ; or, (1) that state law may differ; or, (2) that state law may differ; or, (2) that state law may differ; or, (3) that state law may differ; or, (4) that state law may differ; or, (6) that state law may differ; or, (8) t	Pres Sec Trea VIII  DIREC  thy Beck as Lauzon Shearman  I say that they are the desclear from any liens or classes statement of all the assessave been completed in an atter rules or regulations re	sident/CEO David B. Cott cretary/CIO Thomas Lauz surer/CFO Janice Toros  CE PRESIDENTS  TORS OR TRUS  scribed officers of the said report aims thereon, except as herein s ets and liabilities and of the cond ccordance with the NAIC Annual equire differences in reporting no  (Signature) Thomas Lauzon (Printed Name)	ing entity, and that tated, and that this lition and affairs of Statement Instruct related to account	eorge Ellis aura Leege on the reporting statement, tog the said reporting tions and Accord	g period stated above, all cether with related exhibits, ng entity as of the reporting unting Practices and Procedures, according to (Signature) Janice Toros (Printed Nam	of the herein described schedules and g period stated above, adures to the best of
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## **GENERAL INTERROGATORIES**

# PART 1 - COMMON INTERROGATORIES GENERAL

	which is an insurer? If yes, did the reporting regulatory official of the	a member of an Insurance Holding Company System consisting entity register and file with its domiciliary State Insurance Cope state of domicile of the principal insurer in the Holding Compy similar to the standards adopted by the National Association	ommissioner, Director or Superinto cany System, a registration stater	endent or with such nent providing	Yes[X] No[ ]						
1.3	y subject to standards	Yes[X] No[ ] N/A[ ] Michigan									
<ul> <li>2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?</li> <li>2.2 If yes, date of change: If not previously filed, furnish herewith a certified copy of the instrument as amended.</li> </ul>											
		the latest financial examination of the reporting entity was mad		ne reporting entity	12/31/2000						
<ul><li>3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.</li><li>3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance)</li></ul>											
3.4	sheet date). By what department o	·	Treport and not the date of the ex	ammanon (balance	07/24/2001						
4.1	combination thereof ur	ered by this statement, did any agent, broker, sales representander common control (other than salaried employees of the reart (more than 20 percent of any major line of business measu	porting entity) receive credit or co								
	<ul><li>4.11 sales of new business</li><li>4.12 renewals?</li><li>During the period cover</li></ul>	iness? ered by this statement, did any sales/service organization own	ed in whole or in part by the repo	ting entity or an	Yes[ ] No[X] Yes[ ] No[X]						
	attiliate, receive credit direct premiums) of: 4.21 sales of new busi 4.22 renewals?	or commissions for or control a substantial part (more than 20 iness?	) percent of any major line of busi	ness measured on	Yes[ ] No[X] Yes[ ] No[X]						
5.1 5.2	If yes, provide the nan	by been a party to a merger or consolidation during the period one of the entity, NAIC company code, and state of domicile (usesult of the merger or consolidation.	covered by this statement? se two letter state abbreviation) fo	r any entity that has	Yes[] No[X]						
	į										
		1 Name of Entity	2 NAIC Company Code	3 State of Domicile							
	or revoked by any gov	y had any Certificates of Authority, licenses or registrations (in ernmental entity during the reporting period? (You need not re s part of the agreement) ation:	ncluding corporate registration, if a port an action either formal or inf	applicable) suspended ormal, if a	Yes[] No[X]						
7.2	If yes, 7.21 State the percent 7.22 State the nationa	-United States) person or entity directly or indirectly control 10 age of foreign control lity(s) of the foreign person(s) or entity(s); or if the entity is a mod identify the type of entity(s) (e.g., individual, corporation, go	nutual or reciprocal, the nationality	of its manager or	Yes[ ] No[X]						

1	2
Nationality	Type of Entity

- Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?
- If response to 8.1 is yes, please identify the name of the bank holding company.

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X] Yes[] No[X]

If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	occ	OTS	FDIC	SEC
		Yes[] No[X]	Yes[ ] No[X]	Yes[] No[X]	Yes[] No[X]	Yes[ ] No[X]

- 9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit? Plante & Moran, PLLC 2601 Cambridge Court Suite 500 Auburn Hills, Michigan 48236
- 10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? Larry Pfannerstill, Milliman USA 15800 Bluemound Rd. Suite 400 Brookfield, WI 53005-6069; Actuary/consultant with an actuarial firm

- 11. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
  11.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
  11.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?
- 11.3 Have there been any changes made to any of the trust indentures during the year?
- 11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes?

Yes[	No[X]
Yes[	No[X]
Yes[] Ño	o[] N/A[X]

#### **BOARD OF DIRECTORS**

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee Yes[X] No[] thereof?

13. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes[X] No[]

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person?

Yes[X] No[]

#### **FINANCIAL**

5.1	Total	amo	ount	loaned	during	the	year	(inclusive	of S	Separate <i>i</i>	Accounts,	exclusive o	f policy	loans	)
		_													

- 15.11 To directors or other officers
- 15.12 To stockholders not officers
- 15.13 Trustees, supreme or grand (Fraternal only)
  15.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
  - 15.21 To directors or other officers 15.22 To stockholders not officers

  - 15.23 Trustees, supreme or grand (Fraternal only)
- 16.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?
- 16.2 If yes, state the amount thereof at December 31 of the current year:
  - 16.21 Rented from others 16.22 Borrowed from others

  - 16.23 Leased from others 16.24 Other

  - Disclose in Notes to Financial the nature of each obligation.
- 17.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?
- 17.2 If answer is yes:
  - 17.21 Amount paid as losses or risk adjustment 17.22 Amount paid as expenses 17.23 Other amounts paid

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\$	٠																

Yes[] No[X]

#### **INVESTMENT**

18. List the following capital stock information for the reporting entity:

		1	2	3	4	5	6
		Number of	Number of	Par Value	Redemption Price	Is Dividend	Are Dividends
	Class	Shares Authorized	Shares Outstanding	Per Share	If Callable	Rate Limited?	Cumulative?
1.	Preferred					Yes[] No[] N/A[X]	Yes[] No[] N/A[X]
2.	Common	100,000.000	1,000.000	44.700	X X X	X X X	X X X

	۷.	Common			100,000.000		1,000.000		++./00		/ / / · · · · · ·		Λ Λ Λ	 / / / / ·····
19.1	Were all th	e stocks, b	onds and o	other secu	urities owned	December	31 of curre	nt year, over	which the	e reportin	ng entity has	exclusive	control, in	
	the actual	possession	of the repo	orting ent	ity on said da elating theret	te, except							,	Yes[X] No[]

20.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 16.1).

20.2 If yes, state the amount thereof at December 31 of the current year: 20.21 Loaned to others

20.22	Subject to repurchase agreements
20.23	Subject to reverse repurchase agreements
20.24	Subject to dollar repurchase agreements
	Subject to reverse dollar repurchase agreements
20 26	Pledged as collateral

20.27 Placed under option agreements

20.28 Letter stock or securities restricted as to sale 20.29 Other

20.3 For each category above, if any of these assets are held by other, identify by whom held:

20.31 20.32 20.33 20.34 20.35 20.36 20.37 20.38 20.39

For categories (20.21) and (20.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement. 20.4 For category (20.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount

21.1	Does the reporting entity have any	hedging transactions	s reported on Schedule D	B.
14 0	المحمد ال	المسانمام مما ممالا كم مامانيما		1-1

21.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.

Yes[] No[X] Yes[ ] No[ ] N/A[X]

Yes[] No[X]

- 22.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?
- 22.2 If yes, state the amount thereof at December 31 of the current year.

Yes[] No[X]

#### INVESTMENT

23. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[]

23.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian's Address
Schwab Institutional	1958 Summit Park Place Orlando, FL 32810

23.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)

23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? 23.04 If yes, give full and complete information relating thereto:

Yes[] No[X]

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason

23.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration		
Depository Number(s)	Name	Address
123286	Roble Asset Management	5700 Corporate Drive, Pittsburgh,PA 15237

24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])?

24.2 If yes, complete the following schedule:

Yes[] No[X]

1	2	3
		Book/Adjusted
CUSIP#	Name of Mutual Fund	Carrying Value
24.2999 Total		

24.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
		Amount of	
		Mutual Fund's	
		Book/Adjusted	
	Name of Significant	Carrying Value	
Name of Mutual Fund	Holding of the	Attributable to	Date of
(from above table)	Mutual Fund	the Holding	Valuation

#### OTHER

25.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?
 25.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

\$..... 33,101

1	2
Name	Amount Paid
Michigan Association of Health Plans	24.621
American Association of Health Plans	0,400

\$..... 80,979

26.1 Amount of payments for legal expenses, if any?26.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid
Law Office of Tom Waelchli	55,175
Miller, Canfield, Paddock, Stone	· '

27.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any?
 27.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1	2
Name	Amount Paid

### PART 2 - HEALTH INTERROGATORIES

1.2 1.3 1.4 1.5 1.6	Does the reporting entity have any direct Medicare Supplement Insurance in force?  If yes, indicate premium earned on U.S. business only:  What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?  1.31 Reason for excluding: Indicate amount of premium earned attributable to Canadian and/or Other Alien not included in Item (1.2) above. Indicate total incurred claims on all Medicare Supplement insurance. Individual policies - Most current three years:  1.61 Total premium earned  1.62 Total incurred claims  1.63 Number of covered lives  All years prior to most current three years:  1.64 Total premium earned  1.65 Total incurred claims  1.66 Number of covered lives  Group policies - Most current three years:  1.71 Total premium earned  1.72 Total incurred claims  1.73 Number of covered lives  All years prior to most current three years:  1.74 Total premium earned  1.75 Total incurred claims  1.76 Number of covered lives		\$ \$	es[] No[X]
2.	Health Test			
	2.1 Premium Numerator 2.2 Premium Denominator 2.3 Premium Ratio (2.1 / 2.2) 2.4 Reserve Numerator 2.5 Reserve Denominator 2.6 Reserve Ratio (2.4 / 2.5)	97,918,564 1.000 11,585,133 11,585,133	64,563,007 1.000 8,673,014 8,673,013	
	Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that when, as and if the earnings of the reporting entity permits? If yes, give particulars:	at is agreed will be reti	urned Y	'es[ ] No[X]
	Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subeen filed with the appropriate regulatory agency?  If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits the substitution of the substit		Υ	[es[X] No[ ] [es[ ] No[X]
5.2	Does the reporting entity have stop-loss reinsurance? If no, explain: Maximum retained risk (see instructions): 5.31 Comprehensive Medical 5.32 Medical Only 5.33 Medicare Supplement 5.34 Dental 5.35 Other Limited Benefit Plan 5.36 Other		\$ \$ \$ \$	'es[X] No[ ]
6.	Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the rishold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering agreements:  Insolvency coverage under reinsurance policy and State Mandated Trust Fund	sk of insolvency inclu services, and any oth	ding er	
7.1 7.2	Does the reporting entity set up its claim liability for provider services on a service data base? If no, give details:		Υ	es[X] No[]
8.	Provide the following information regarding participating providers: 8.1 Number of providers at start of reporting year 8.2 Number of providers at end of reporting year			
	Does the reporting entity have business subject to premium rate guarantees? If yes, direct premium earned: 9.21 Business with rate guarantees between 15-36 months 9.22 Business with rate guarantees over 36 months			'es[ ] No[X] 0 0

# GENERAL INTERROGATORIES (continued) PART 2 - HEALTH INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? 10.2 If yes:	Yes[X] No[ ]
10.21 Maximum amount payable bonuses 10.22 Amount actually paid for year bonuses	\$
10.22 Amount actually paid for year boliuses 10.23 Maximum amount payable withholds 10.24 Amount actually paid for year withholds	\$
11.1 Is the reporting entity organized as:	
11.12 A medical Group/Staff Model, 11.13 An Individual Practice Association (IPA), or,	Yes[ ] No[X] Yes[ ] No[X]
11.14 A Mixed Model (combination of above)?	Yes[X] No[ j
11.2 Is the reporting entity subject to Minimum Net Worth Requirements?	Yes[X] No[ ]

\$......9,434,840 Yes[] No[X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?
11.3 If yes, show the name of the state requiring such net worth.
Michigan
11.4 If yes, show the amount required.
11.5 Is this amount included as part of a contingency reserve in stockholder's equity?
11.6 If the amount is calculated, show the calculation.
Net Subscription Revenues (\$97,918,564 - \$3,570,168) \$94,348,396 x 10% = \$9,434,840

12. List service areas in which the reporting entity is licensed to operate:

1
Name of Service Area
Allegan, MI
Barry, MI
Berrien, MI
Branch, MI
Calhoun, MI
Cass, MI
Eaton, MI
Genesee, MI
Hillsdale, MI
Huron, MI
Jackson, MI
Kalamazoo, MI
Kent, MI
Lenawee, MI
Livingston, MI
Macomb, MI
Monroe, MI
Montcalm, MI
Muskegon, MI
Oakland, MI
Oceana, MI
Ogemaw, MI
Oscoda, MI
Ottawa, MI
Roscommon, MI
St. Clair, MI
St. Joseph, MI
Sanilac, MI
Tuscola, MI
Van Buren, MI